

FAST FACTS ABOUT FSAFEDS

What is the FSAFEDS Program?

FSAFEDS is a flexible spending account (FSA) program for federal employees that can save you money on health and dependent care. An FSA allows you to set funds aside before taxes to pay for a wide range of common expenses. You save by reducing your taxes and getting a discount of 20–40 % or more while paying for the care you need.

FSAFEDS offers two kinds of flexible spending accounts:

★ The Health Care Flexible Spending Account (HCFSA)

An HCFSA can be used to pay for healthcare expenses not covered by FEHB or any other insurance. An HCFSA covers eligible health care expenses* for you, your spouse, and your dependents. Beginning in 2004, an FSAFEDS HCFSA can be used to cover the cost of over-the-counter medications.

★ The Dependent Care Flexible Spending Account (DCFSA)

A DCFSA can be used to pay for dependent care expenses that allow you — and your spouse, if you're married — to work, look for work, or attend school full-time. A DCFSA covers eligible expenses* for care of:

- Dependent children under age 13; and/or
- A person of any age whom you claim as a dependent on your federal income tax return, and who is mentally or physically incapable of caring for himself or herself.

* Refer to the FSAFEDS "Eligible Expense" brochure or www.fsafeds.com for more information. Eligible expenses for FSA programs are defined by Sections 105, 125, and 129 of the Internal Revenue Code.

Who qualifies for the FSAFEDS Program?

Federal employees of participating agencies who are eligible for FEHB may enroll in the FSAFEDS Health Care FSA. Except for intermittent employees who work fewer than six months, all employees of participating federal agencies may enroll in a Dependent Care FSA, even if they are not eligible for FEHB.

You can draw upon your FSAFEDS account for reimbursement as you incur eligible expenses. The program is always there when you need it.

Why should I enroll?

In a word — money. By using pre-tax dollars that you set aside in an FSA to pay for eligible expenses, you get a substantial discount on many common expenses that you would probably pay for anyway — over-the-counter medications, health plan deductibles and co-pays, vision and dental care including orthodontia, childcare, elder care and much more. You can save 20–40 % on your eligible expenses, depending upon your tax situation.

How to Find Out More About FSAFEDS



You can easily get more information on FSAFEDS and answers to all your questions by visiting the FSAFEDS website or calling FSAFEDS toll-free to speak with a professional Benefits Counselor. The website is an excellent source for the latest information on program updates, IRS rulings, and legislative changes.

WEB:

www.fsafeds.com

TELEPHONE:

1-877-FSAFEDS toll-free
(1-877-372-3337)

TTY:

1-800-952-0450 toll-free

FAX:

1-502-267-2233

EMAIL:

fsafeds@shps.net

MAIL:

FSAFEDS Program
P.O. Box 36880
Louisville, Kentucky 40233-6880

The Office of Personnel Management selected SHPS, Inc. as the third party administrator to manage the day-to-day administration of FSAFEDS. SHPS is one of the largest and most experienced benefits administration companies in the country.



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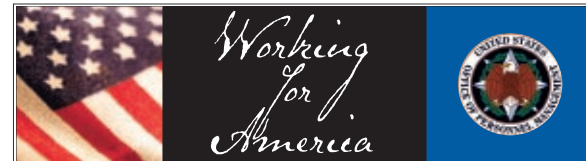
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OVERVIEW

2004

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



WWW.FSAFEDS.COM

A GREAT NEW WAY TO SAVE ON HEALTH AND DEPENDENT CARE



***"Flexible
spending
accounts
have
proven
to be an
excellent
way for***

***people to reduce their costs
for health and dependent
care and stretch their income
dollars. So I am particularly
pleased to announce that
federal employees will now
be able to do exactly that,
by enrolling in the FSAFEDS
Program for 2004.***

***I plan to take advantage
of this great new savings
opportunity myself, and I
encourage you to look at the
program, too, and see how
much it can save for you."***

**Kay Coles James
Director,
US Office
of Personnel
Management**

HOW DOES FSAFEDS WORK?

Using FSAFEDS consists of four simple steps:

1. First, calculate how much money you'd like to set aside for the coming year. Use the interactive calculator at www.fsafeds.com to figure your annual allotment and estimate your tax savings. There is also a worksheet and tax savings example in this brochure. You can allot up to \$3,000 to an HCFSA and up to \$5,000 to a DCFS.
2. When you have decided how much to allot to your FSA, go to www.fsafeds.com and follow the simple online enrollment process. After you complete the enrollment process, you will receive an enrollment confirmation by email. Or you can enroll by calling 1-877-FSAFEDS (1-877-372-3337). Hearing impaired participants can call the FSAFEDS TTY line: 1-800-952-0450.
3. When you incur an eligible expense, you pay for it out of pocket and submit a claim to FSAFEDS for reimbursement. All claims must be accompanied by appropriate documentation, such as an itemized receipt or explanation of benefits.
4. FSAFEDS reimburses claims on a daily basis. If you elect to receive payment by direct deposit into your bank account via Electronic Funds Transfer (EFT), you will typically be reimbursed within five working days of when you file your claim.



FSAFEDS, The new Flexible Spending Account Program for federal employees, gives you a discount of 20-40% on your health and dependent care expenses.



FSAFEDS CAN HELP YOU SAVE ON TAXES.

An FSA lets you set money aside for eligible expenses before taxes are deducted from your paycheck. This means you pay less tax on less income and the savings translates into a significant discount on what you pay for care. Here's an example:

Annual Savings Example*	CSRS		FERS	
	FSA	No FSA	FSA	No FSA
Annual pay	\$50,000	\$50,000	\$50,000	\$50,000
Pre-tax FSA contribution	(2,000)	0	(2,000)	0
Taxable income	48,000	50,000	48,000	50,000
Federal income and Social Security taxes	(8,866)	(9,359)	11,842	12,495
After-tax dollars spent on eligible expenses	0	(2,000)	0	(2,000)
Available after tax income	39,134	38,605	36,158	35,505
Discount with an FSA:	\$529* or 26%		\$653* or 33%	



SEE HOW YOUR FSA CAN SAVE YOU MONEY.

Worksheet:

1. Find your Federal income tax rate, based on your expected 2004 income:

Tax Rate	Single	Married, joint return	Head of Household
15%	\$7,001 to 28,400	\$14,001 to 56,800	\$10,001 to 38,050
25%	\$28,401 to 68,800	\$56,801 to 114,650	\$38,051 to 98,250
28%	\$68,801 to 143,500	\$114,651 to 174,700	\$98,251 to 159,100

2. Enter your total Federal tax rate:
#1 plus 1.45% for CSRS or 7.65% for FERS: _____ %
This percentage is the discount you will get using an FSA for eligible health care and dependent care expenses.
3. Enter your planned FSA contribution for 2004:
\$ _____
4. Multiply #3 by #2. This is the amount an FSA can save you in 2004 on eligible care expenses.
\$ _____

*This example illustrates tax savings based on 25% federal and 7.65% FICA taxes. This results in a discount of 32.65% on eligible expenses paid through an FSA. Actual savings will vary based on your individual tax situation, and on whether you are covered under CSRS or FERS. You may wish to consult a tax professional for more information on the tax implications of an FSA.